UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
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BRIESE LICHTTECHNIK VERTRIEBS
GmbH and HANS-WERNER BRIESE, :

Plaintiffs, : **MEMORANDUM & ORDER**

-against- : 09 Civ. 9790 (LTS)(MHD)

BRENT LANGTON, B2PRO, KEY :
LIGHTING, INC. and SERGIO
ORTIZ, :

Defendants. :
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MICHAEL H. DOLINGER
UNITED STATES MAGISTRATE JUDGE:

Plaintiffs Briese Lichttechnik Vertriebs GmbH and Hans-Werner Briese have moved, pursuant to Fed. R. Civ. P. 37(b)(2), for sanctions based on what they contend are a series of discovery and other derelictions by defendants, ranging from repeated failures to produce documents to violations of court orders to outright efforts to manufacture evidence, lie to their adversaries and commit fraud on the court. Having reviewed the record, we conclude that defendants have indeed engaged in a range of misconduct, including violations of court orders, extended refusals to look for and produce key documents, manufacturing of evidence, one instance of attempted obstruction of justice, misrepresentations to the court, and apparent perjury. Given the seriousness of this evident misconduct, we impose certain sanctions, although we do not agree with plaintiffs' request for entry of a default judgement.

We summarize briefly the issues raised by plaintiffs and our findings with respect to each. We then consider the appropriate relief.

I. Plaintiffs' Complaints and Our Findings

A. The Inspection of Defendants' Allegedly Infringing Products

At a conference on July 22, 2010 we directed that defendants honor a request by plaintiffs for inspection of defendants' allegedly infringing products, that is, reflector umbrellas manufactured by or for B2Pro, and that this be done by August 5, 2010. (July 22, 2010 Tr. at 5-7, 29).[1] Defendants did not arrange

[1] At an earlier period the predecessor of B2Pro -- apparently principally known as BrieseUSA -- purchased a large quantity of similar but patented umbrellas from plaintiffs. (E.g., Decl. of M. Veronica Mullally in Support of Pls.' Mot. for Sanctions Ex. C, at 2, Sept. 2, 2010). We understand that plaintiffs allege that defendants copied these umbrellas, with the copies apparently manufactured in China, then shipped the copies to B2Pro in California and New York, and that B2Pro then leased the copies to customers, thus infringing plaintiffs' patents. (E.g., Decl. of Gerd Bayer in Support of Pls.' Mot. for Sanctions ("Bayer Decl.") ¶¶ 6-11, Exs. A-F, Sept. 20, 2010).

the production on schedule, but finally agreed that the inspection be conducted on August 12, 2010. (See Mullally Decl. ¶¶ 14, 18 & Ex. B, Sept. 2, 2010).

Several days before the inspection, defendants' attorney, Edward Schewe, Esq., represented to plaintiffs' attorneys that three models of the defendants' version of the umbrella -- referred to as 90, 115 and 330 -- were unavailable at that time as they were undergoing repairs. (Id. Ex. B). At the inspection itself, B2Pro's New York principal, co-defendant Brent Langton, put on display a series of components, most of which had actually been manufactured by Briese and were thus not the items that plaintiffs were seeking to inspect. At that time Langton represented that only a few of the components were manufactured by B2Pro and that all of the frames were manufactured by Briese (and thus by implication that they were not infringing). (Id. ¶ 14). Moreover, by assembling and displaying umbrellas composed in part of both B2Pro and Briese components, he at least implied that these "hybrid" umbrellas were representative of the umbrellas that that defendants were renting to their customers.

Several days after the inspection, plaintiffs conducted a deposition of Mr. Ken Robinson, an independent contractor who worked at the New York premises of B2Pro. (Id. ¶ 8 & Ex. F). He testified that the B2Pro complete umbrellas in the sizes 90, 115 and 330 had in fact been available for inspection on August 12, a fact known to him because he had assembled them for Langton to take with him to the inspection. (Id. Ex. F, at 16, 77-78). According to Mr. Robinson, Langton declined to take those umbrellas with him even though they were directly responsive to plaintiffs' request. Instead, according to Robinson, Langton took a set of Briese components, which were not responsive and had apparently been brought together by Langton solely for the inspection even though they were not representative of what B2Pro normally supplied to rental customers. (Id. Ex. F, at 13-16).

Further undermining Langton's representations at the inspection, in later deposition testimony defendant Sergio Ortiz admitted that B2Pro arranges for the manufacture and importation of components to create its reflector umbrellas. (Decl. of M. Veronica Mullally in Support of Pls.' Reply on Pls.' Mot. for Sanctions ("Mullally Reply Decl.") Ex. BB, at 37, Oct. 4, 2010). This is of course inconsistent with Langton's assertion that defendants use the Briese components to make their umbrellas (id. Ex. MM, at ¶ 4) and reinforces the evident fact that Langton arranged for the creation of hybrid umbrellas assembled solely for the purpose of the August 12 inspection. Indeed, Langton now effectively admits as much. (Id. Ex. MM, at ¶ 5).

In addition, Langton's own deposition testimony underscores the apparently fraudulent nature of his actions in connection with the August 12 inspection. Thus, when asked why he did not bring the accused B2Pro umbrellas to the inspection, he professed not to know. (Decl. of M. Veronica Mullally in Support of Supp. to Mem. of Law in Support of Pls.' Mot. for Sanctions ("Mullally Supp. Decl.") Ex. M, at 139-40, Sept. 20, 2010). He further responded that he did not know whether the items that he had brought to the inspection were representative of umbrellas that B2Pro rented to customers (id. Ex. M, at 227), even though at one point he admitted being the manager of the New York end of the business. (Id. Ex. M, at 41).[2]

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[2] At various times Langton claimed that he was only an employee of B2Pro (e.g., id. Ex. M, at 60), was not an owner of B2Pro and did not have any role in Key Lighting, Inc., the corporation which owns B2Pro (see Opp'n to Pls.' Mot. for Sanctions ("Defs.' Opp'n"), 16-17, Sept. 27, 2010), but on his own internet listing he claimed to be the owner of B2Pro. (See Pls.' Reply in Support of Pls.' Mot. for Sanctions ("Pls.' Reply") at 7 (reproducing http://www.linkedin.com/pub/dir/Brent/Langton), Oct. 4, 2010; see also Mullally Supp. Decl. Ex. R). Moreover, his co-defendant Sergio Ortiz identified him as a co-owner of BrieseUSA, the predecessor of B2Pro (Mullally Reply Decl. Ex. CC, at 9-19), and the one corporate document produced by defendants indicates that Langton is a co-owner of Key Lighting, Inc. (Mullally Supp. Decl. Ex. R).

The day after Robinson's deposition, defendants' attorney advised plaintiffs' counsel that the 90, 115 and 330 umbrellas, as well as umbrellas sized 44, 77, 100, 140, 180 and 220, were now available and agreed to arrange for an inspection. (Decl. of Gary Serbin in Support of Pls.' Mot. for Sanctions ("Serbin Decl.") ¶¶ 4-7 & Ex. A, at 4, Sept. 2, 2010). We understand that this inspection took place on September 23, 2010. (Decl. of Edward P. Kelly, Esq. in Support of Defs.' Opp'n to Pls.' Mot. for Sanctions ("Kelly Decl.") ¶¶ 2-3, Ex. A, Sept. 27, 2010; Decl. of Brent Langton in Support of Opp'n to Pls.' Mot. for Sanctions, ("Langton Decl.") ¶¶ 6-7, Sept. 27, 2010). In plaintiffs' papers they do not complain of any inadequacy in this inspection session.

B. Langton's Effort to Obstruct the Robinson Deposition

Robinson testified at his deposition that when he received his own deposition subpoena from plaintiffs, Langton suggested to him that he not appear, and when he rejected this idea, Langton suggested in vague terms that he not provide responsive answers. (Mullally Decl. Ex. F, at 34-35). According to Robinson, he rejected Langton's suggestion that he not cooperate in the taking of his deposition or that he defy the subpoena. (Id.).

C. Defendants' Alleged Misrepresentations About the Availability of Defendant Langton for a Deposition

Plaintiffs contend that defendant Langton lied to the court through his attorney concerning his availability for a deposition. This episode was occasioned by Langton's rejection of a previously scheduled date for his deposition, which occasioned a representation by his attorney to the court that he was to be out of the country on business in India from August 29 to September 9, 2010. (Mullally Supp. Decl. Exs. N & O). Doubting this representation, plaintiffs hired a photographer, who located Langton in New York on September 3 and took photographs of him to document his presence here. (Id. Ex. P, at ¶¶ 2-7 & attached photos).

Langton was ultimately deposed on September 10 and testified that he had been in India until September 2, when he returned to New York for a funeral, which supposedly occurred on September 9. (Mullally Supp. Decl. Ex. M, at 33, 166-67). Whatever the truth or falsity of this representation, we recently directed that Langton produce a photocopy of his passport, which reflects his arrival in Mumbai, India on August 29 and his return to the United States on September 2. (Order, 1, Nov. 9, 2010; Letter to the Court from

Edward P. Kelly, Esq. & enclosed ex., Nov. 15, 2010; Decl. of Brent Langton ("Langton Supp. Decl.") Ex. A, Nov. 15, 2010;). We have no information as to whether the prior representation that Langton was planning to be away until September 9 was accurate or not when made, and thus cannot deem that statement to reflect discovery misconduct.

D. Counsel's Misrepresentation about Defendant Ortiz

In a motion to dismiss defendant Sergio Ortiz based on lack of jurisdiction, defendants' counsel Edward Schewe, Esq., represented that Ortiz "does not conduct business in New York" and that he has no "files, employees, or offices in New York." (Defs.' Mem. in Support of Mot. to Dismiss, 2, June 17, 2010). Plaintiffs point out that Langton later testified at his deposition that Ortiz was the sole owner of the business that is known now as B2Pro, and employs Langton at his New York office. (Mullally Supp. Decl. Ex. M, at 42, 60). Since one of its two locations is in Manhattan, the representation in the motion about Ortiz was demonstrably false and yet counsel never withdrew it.

It appears that the pursuit of the motion was based on a plainly false factual premise. That failing might conceivably subject defendants' counsel to sanctions under Rule 11 if plaintiffs are able to comply with the procedural requirements of that rule[3], but in any event the proper forum for such an application would be the district judge, who dealt with the motion.

E. Langton's Allegedly False Deposition Testimony

Plaintiffs complain about a litany of assertedly false statements made by Langton at his deposition. These include testimony about (or avowals of ignorance about) (1) the relationships between various apparent iterations of a company that has been identified by Langton in other lawsuits and corporate filings as BrieseUSA, BrieseNY, Key Lighting and B2Pro (Mullally Supp. Decl. Ex. M, at 210, 217-18)[4], (2) Langton's ownership with co-defendant Sergio Ortiz of the defendant companies in this case (id. Ex. M, at 42, 64, 67-68, 71), (3) the method by which Langton is paid (id. Ex. M, at 223-26), (4) the identity of the lessee of the premises where B2Pro maintains its New York operation and Langton's residence (id. Ex. M, at 167, 211-12), (5) the disposition of the inventory of equipment purchased by BrieseUSA from plaintiffs (id. Ex. M, at 216-23), (6) the source of B2Pro's reflector umbrellas (id. Ex. M, at 102, 131-33, 169-70), (7) whether B2Pro has obtained umbrellas made entirely with non-Briese components (id. Ex. M, at 133), (8) the designer of the B2Pro 115 umbrella (id. Ex. M, at 131-33) and (9) whether B2Pro rents a stand together with the umbrella. (Id. Ex. M, at 101-02, 107-08).

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[3] We note particularly the safe-harbor provision of Rule 11, which may preclude a motion at this time. See Fed. R. Civ. P. 11(c)(2).

[4] Both Langton and Ortiz testified that B2Pro was not a successor to BrieseUSA or BrieseNY. (Mullally Supp. Decl. Ex. M, at 210, 217-18; Mullally Reply Decl. Ex. BB, at 109-12). Neither, however, could explain the fact that defendants filed two New York lawsuits as plaintiff Key Lighting, d/b/a/ B2Pro f/k/a BrieseUSA. (Mullally Reply Decl. Exs. DD, EE. See id. Ex. BB, at 109-12). Moreover, Langton previously represented in a California trademark case that, in compliance with the court's preliminary injunction, he had changed the business name of BrieseUSA to B2Pro. (Mullally Supp. Decl. Ex. L & Ex. M, 47-48). In addition, most of the documents defendants produced in this lawsuit were in fact BrieseUSA documents and were copies of the documents that

The accuracy of the cited testimony -- some of which involves collateral matters -- appears to be open to serious question. For reasons to be discussed below, however, we view the assessment of the honesty of the challenged testimony to be appropriately left to a trier of fact.

BrieseUSA had produced in the California trademark litigation. Indeed, defendants' own attorney has freely used BrieseUSA documents during the deposition questioning of Ortiz about the practices of B2Pro. (Id. Ex. BB, at 233-34). Finally, we note that Langton himself represented in a 2009 e-mail to a prospective customer that "Briese USA is now B2Pro". (See Mullally Supp. Decl. Ex. S).

F. Assertedly False Testimony by Langton and Ortiz About Umbrella Rentals

In deposition testimony, both defendants Ortiz and Langton stated that B2Pro does not set up the component of the reflector umbrella for its rental customers, but rather simply supplies those unassembled components. Thus for example Langton specifically denied that his company sends "any sort of technician, any lighting technician, any photographic technician, any sort of assistant to go out and set up these reflector umbrellas at the photographer's studio." (Mullally Supp. Decl. Ex. M, at 188). Similarly Ortiz insisted that B2Pro does not "send[] people out to deliver the equipment and actually set up the components." (Mullally Reply Decl. Ex. BB, at 189-90). Rather, he said, "[t]he umbrella's pretty much set up by the photographer or the photographer's assistant." (Id.). This distinction is apparently intended to avoid a finding that defendants "use[d]" an infringing device, as prohibited by 35 U.S.C. § 271.

The cited testimony of both of these witnesses appears to be false; indeed, in other portions of their depositions they appeared to backtrack somewhat, suggesting that B2Pro would assist in the set up of the umbrellas if the customer requested help. (See

Mullally Supp. Decl. Ex. M, at 188-90; Mullally Reply Decl. Ex. BB, at 187-88). Both versions are arguably inconsistent with the deposition testimony of Andrew Smith, an independent contractor who works with B2Pro. Mr. Smith testified that he is responsible to review client orders, select the equipment from the B2Pro inventory, deliver the equipment in the B2Pro truck and then set up the umbrella at the customer's location. (Decl. of Amir Ghavi in Support of Pls.' Second Supp. Mem. for Sanctions ("Ghavi Decl.") Ex OO, at 21-23, 24-25, 28, 34, 36-37, 41-43, 48, 54, 57, 58, 71). Mr. Smith specified that setting up the umbrella was part of his job responsibilities and that he had done so between 50 and 100 times. (Id. Ex. OO, at 36, 37, 42-43).

Smith's testimony that defendants arrange for the assemblage of the umbrellas was confirmed by representatives of two customers of B2Pro. Mr. Ellis Michael Quinn, who is an equipment manager at a local photography studio, testified that he had witnessed B2Pro personnel set up the reflector umbrellas more than 50 times at his place of work. (Id. Ex. PP, at 30-31). Similarly, Ms. Kate Zander, who supervises window displays for the department store Lord & Taylor, recounted that the store had rented reflector umbrellas from B2Pro for a window display, that she had dealt directly with Langton on this transaction, that he had told her that B2Pro would send installers to deliver and set up the umbrellas, and that in fact the company did send installers who delivered and set up the umbrellas and did so without any involvement by store personnel. (Id. Ex. NN, 9-13, 16, 18-19, 27-30).

Despite the evident inconsistency of some of the testimony of Messrs. Langton and Ortiz about set-ups with the versions provided by other, disinterested witnesses and even with the defendants' own testimony, the determination of whether parties in deposition have lied or mis-spoken or testified accurately is properly left to a trier of fact.

G. Counsel's Alleged Effort to Impede the Smith Deposition

Just as defendant Langton apparently sought to interfere with the conducting of the deposition of Mr. Robinson, whose testimony proved damaging to defendants, defendants' attorney, Mr. Schewe, appears to have engaged in an effort to avoid or delay the deposition of Mr. Smith, who also provided testimony that undercut the prior testimony of Messrs. Langton and Ortiz. Plaintiffs subpoenaed Mr. Smith on or about October 22, 2010, and he advised their attorney on October 22 that he was available to testify on October 28, 2010 -- three days before the extended deadline for plaintiffs to complete discovery -- because his schedule was free that day. (Id. ¶ 6). Shortly thereafter, Mr. Schewe communicated with plaintiffs' attorney, insisting that he represented Mr. Smith and that plaintiffs' counsel had acted improperly in communicating directly with his purported client. (Id. Ex. RR). He then insisted that the deposition could not proceed because he was not available to attend on October 28. (Id. Ex. SS). Plaintiffs' attorney responded, however, that defendants' local counsel, Edward P. Kelly, Esq., had confirmed his availability to attend a deposition that day (id. Ex. TT), at which point Mr. Schewe sought to preclude the deposition on the asserted basis that the witness himself was not available. (Id. Ex. UU)(claiming that "Mr. Smith is working a full twelve-hour shift that day and cannot attend")).

Smith's deposition testimony, given on October 28, indicates that both of Mr. Schewe's representations -- that he represented Smith and that Smith was unavailable -- were false. Thus Smith testified that he had been available for October 28 when he spoke with plaintiffs' attorney six days earlier and that nothing had changed in the interim to interfere with his availability. (Id. Ex. OO, at 9-10). He further confirmed that at the time that Mr. Schewe claimed to be representing him, Schewe had never spoken to him and indeed did not speak to him until some days later. (Id. Ex. OO, at

9). Nonetheless, at the deposition Smith expressed his current understanding that Mr. Schewe and Mr. Kelly were representing him, apparently because he had "just" been told so by Mr. Schewe. Mr. Smith stated that he understood Mr. Schewe to be the attorney representing "some of [his] employers," namely B2Pro, on "this side" of the litigation. (Id. Ex. OO at 7-8).

H. Defendants' Failure to Produce Documents

In response to the court's July 22 directive that defendants produce all responsive documents encompassed by plaintiffs' prior requests and provide a declaration confirming the absence of documents for any such categories, defendants proffered an August 5 declaration by defendant Langton. In that declaration, he represented that he had "searched, with my attorneys, for documents requested" by plaintiffs, and he went on to state that "my search did not find any documents responsive to" requests 8, 12, 15, 19, 20, 22, 23, 32, 33, 38, 40, 41, 48 and 49. (Mullally Reply Decl. Ex. II, at 2).

At the subsequent deposition of Mr. Langton, plaintiffs unearthed the fact that defendants had failed to search for or produce documents relevant to this lawsuit, and indeed had failed even to look for e-mails on their servers, all in violation of their discovery obligations and prior court orders. Langton appeared to admit that, in response to plaintiffs' document requests, the defendants had simply turned over documents that they had previously produced or were then producing in the California trademark lawsuit, even though that suit did not involve the same issues as are raised by this patent litigation. (Mullally Supp. Decl. Ex. M, at 17-18). As for e-mails, defendants apparently conducted no search whatever (id. Ex. M, at 19-20), though plaintiffs have managed, by discovery requests to non-parties, to obtain some of these communications, which are plainly relevant to this suit. (Id. Ex. M, at 121, 178, 180; id. Ex. U; Mullally Reply Decl. Ex. JJ). As plaintiffs point out, however, that effort scarcely avoids potentially serious prejudice since the e-mails they have obtained do not contain attachments on the originals, and in any event their efforts in this respect cannot assure them that they have obtained access to all relevant communications.

Defendants also failed to produce any hard-copy documents that are responsive to plaintiffs' requests for design and manufacturing documents, importation documents, and chain-of-custody documents for claimed prior art. More globally, the categories of document requests for which few or no documents were produced include the following: requests numbered 7, 8, 9, 10, 11, 13, 15, 21, 24, 35, 36, 37 ,39, 45, 46, and 48. (See Pls.' Reply at 11-15).

Requests 7, 8, 9, 15 and 18 seek documents regarding research, design, development and manufacture of the umbrellas, and the testimony of defendant Ortiz makes plain that such documents exist. (Mullally Reply Decl. Ex. BB, at 35-36, 44, 49, 113, 164-65, 217-18).[5] Equally notable is that in failing to explain the absence of the design and manufacturing documents, defendants violated the court's July 22 order directing the proffer of an affidavit, by a person with knowledge of the facts, to attest to the non-existence of such documents if that were in fact the case, which it plainly is not. (Conference Tr., 11-12, July 22, 2010). Since Mr. Langton concededly did not conduct a meaningful search and apparently no one else did for defendants, his August 5 declaration was, at best, highly misleading and certainly did not comply with our directive.

Request 48 seeks documents about other lawsuits. Again

[5] At one point defendants oppose this aspect of plaintiffs' motion because plaintiffs' counsel has not proffered a copy of the document requests. (Defs.' Resp. To Pls.' Second Supp. Mem. in Support of Mot. for Sanctions ("Defs.' Second Supp. Resp."), 6, Nov. 10, 2010). They forget, however, that the court reviewed these requests in extensive detail at the July 22 discovery conference. (See Conference Tr., 5-29, July 22, 2010).

defendants produced no documents despite the fact that plaintiff has located two suits that defendants filed in New York (see Mullally Reply Decl. Exs. DD & EE), and Langton testified that he was aware of both litigations. (Mullally Supp. Decl. Ex. M, at 51, 58-59).

Request 10 asks for documents to identify components that Langton arranged to have manufactured, and none have been produced. Whether no such documents exist -- perhaps because Ortiz took care of this part of the business -- is unknown since defendants have proffered no affidavit by a knowledgeable person[6], as required by court order, to that effect. At the least, plaintiffs have possession of an email, never produced by defendants, in which Langton offered to sell certain components to Briese. (Mullally Supp. Decl. Ex. U). At Langton's deposition plaintiff sought production of this document, but defendants failed to comply. Defendants also failed to produce numerous other categories of relevant documents or to proffer any affidavit representing their non-existence, and most plainly do exist. These encompass promotional and advertising materials, including video and

[6] Again, since Langton did not make a real search, he cannot be considered a knowledgeable person for this purpose.

multimedia presentation materials (items 11 and 13)[7], documents concerning storage of the B2Pro reflectors (item 21) even though defendants have a storage facility (Mullally Reply Decl. Ex. BB, at 42), documents reflecting rental and lease revenue (item 24) even though defendant Ortiz confirmed their existence (id. Ex. BB, at 217), corporate structure documents (item 39) even though Ortiz admitted they exist (id. Ex. CC, at 18-19), and documents reflecting other names and businesses under or through which defendants have operated (items 45 and 46). Plaintiffs also sought all documents to or from Ortiz relating to umbrella reflectors (item 35) and got only three e-mails even though he is the owner of B2Pro.[8] They also asked for all documents to or from Langton relating to umbrella reflectors and received only a selected portion of that universe of documents, as illustrated by Langton's own testimony that he did not search for e-mails (Mullally Supp. Decl. Ex. M, at 19-20) and the discovery of responsive e-mails from Langton that defendants never produced. (Mullally Supp Decl. Ex. U

[7] Defendants' main advertising mechanism is a website, which their 30(b)(6) witness was unable to describe with much specificity. (Mullally Supp. Decl. Ex. BB, at 150-51, 169-76)

[8] Of the three e-mails that defendants produced, two dated from 2004 and one from 2008, and all had previously been produced in the trademark lawsuit. Ortiz claimed to have reviewed his emails and produced no documents. (Mullally Supp. Decl. Ex. BB, at 207).

& Mullally Reply Decl. JJ).

I. The Interrogatory Verification

Defendants served their answers to plaintiffs' interrogatories in August 2010. Those answers were verified by Mr. Langton, and addressed questions concerning whether defendants make, use or sell the allegedly infringing devices. In executing the verification, Mr. Langton represented under penalty of perjury that he was authorized to verify the answers, that they were true "to the best of my knowledge except as to those matters which are stated on information and belief and as to those matters I believe them to be true." (Mullally Supp. Decl. Ex. V). Although this role and his statement at least implied that he had made the necessary inquiry to determine that the answers were true, he later testified at his deposition that he had made no such inquiry. (Mullally Supp. Decl. Ex. M, at 202-03).

J. Defendants' Counsel's Deposition Misconduct

The transcript of the deposition of Ortiz reflects significant misbehavior by their attorney, Edward Schewe, Esq. This includes speaking objections designed to coach the witness (Mullally Reply

Decl. Ex. BB, at 41, 75-76, 82), and, still more bizarre, the use of written statements, apparently prepared by counsel, which he gave to the witness to read into the record as supposed answers to questions posed by plaintiffs' attorney. (Id. Ex. BB, at 195-96, 198 & Ex. KK).

K. Asserted Late Disclosures

According to plaintiffs' counsel, two days before the conclusion of discovery, defendants amended their initial disclosures to list four witnesses whom they had never identified before. (Pls.' Second Supp. Mem. in Support of Pls.' Mot. for Sanctions ("Pls.' Second Supp."), 8). Then, on the last day of discovery, they produced a quantity of invoices that had been requested many months before. (Id. at 8-9). Defendants offer no meaningful explanation for the timing of the invoice production but assert without further specification that the depositions of Mr. Briese and his wife on October 18 and 19 disclosed the existence or necessity of additional witnesses. (Defs.' Second Supp. Resp., 7).

We are unable to determine from this skeletal exchange whether the naming of the four (to us unidentified) witnesses was justifiable. As for the production of the invoices, since they were demanded many months before and defendants offer no explanation for delaying their release until the last day of discovery, that production is obviously untimely.

L. The George Brown Incident

Plaintiffs finally complain about a puzzling series of events surrounding a witness named George Brown, apparently a customer of B2Pro and a longtime acquaintance of Langton. Brown was the purported source of alleged prior art that defendants cited frequently in court proceedings but failed to produce until late in the discovery process.

Plaintiffs subpoenaed Brown in May 2010 and finally deposed him on September 30, 2010. Although he was required to produce documents in accordance with the subpoena, he failed to do so before the deposition and only in October began to supply some to plaintiffs. He then turned to the court, complaining that he felt mistreated by plaintiffs at his deposition and asking for access to the transcript of the deposition of Mr. Briese, although plaintiffs' counsel had designated it as an Attorney's Eyes Only document. We denied these repeated requests, which appear to involve an effort to enable Mr. Langton to obtain access to a document that his counsel may not show to him. (See Order denying the application of Mr. George Brown, 3, Oct. 27, 2010). To make matters more bizarre, at about the same time defendants' attorney proceeded to notice Mr. Brown for a second deposition, to be held October 29, 2010, despite the fact that the time period for defendants' discovery had lapsed as of September 30, and he did so without seeking court permission. It was only when plaintiffs brought this blatant violation of the court's scheduling orders to our attention and requested relief that we learned of this effort to evade our orders and promptly precluded this deposition from taking place. (See Order denying defendants' application, 2, Oct. 27, 2010).

II. ANALYSIS

Plaintiffs have moved for entry of a default against defendants for their various discovery and other derelictions, citing Rule 37(b)(2) in support of that application. We start with certain basic principles. If a party claims that its adversary failed to produce required discovery and that this failure prejudiced the discovering party, the court has broad discretion in providing a remedy. E.g., Nat'l Hockey League v. Metro Hockey Club, 427 U.S. 639, 643 (1976)(per curiam); Residential Funding Corp. v.

DeGeorge Financial Corp., 306 F.3d 99, 107 (2d Cir. 2002); Update Art, Inc. v. Modiin Publ'g, Ltd., 843 F.2d 67, 71 (2d Cir. 1988). Moreover, although Rule 37(b) outlines a non-exclusive range of remedies available for a party's failure to comply with a prior discovery order, even in the absence of such an order the court may impose sanctions for discovery misconduct as an assertion of its inherent powers. See Residential Funding, 306 F.3d at 106-07.

Rule 37(b) outlines a non-exclusive range of sanctions, including dispositive measures such as default or dismissal, that may be imposed on a party for failing to comply with a court order, see Design Strategy, Inc. v. Davis, 469 F.3d 284, 294 (2d Cir. 2006) ("[a] district court has wide discretion to impose sanctions, including severe sanctions, under Federal Rule of Civil Procedure 37"); Burrell v. American Telegraph & Telephone Corp., 282 Fed. Appx. 66, 67 (2d Cir. 2008) (citing Daval Steel Prods. v. M/V Fakredine, 951 F.2d 1357, 1365 (2d Cir. 1991)), and an equivalent array of weaponry is available when the court exercises its inherent powers to control the discovery process. See McMunn v. Memorial Sloan-Kettering Cancer Center, 191 F. Supp. 2d 440, 461 (S.D.N.Y. 2002) ("[a]mong these 'inherent powers' is the power to dismiss a suit with prejudice without reaching the merits, in appropriate cases"). Dispositive sanctions are "'a harsh remedy to be utilized only in extreme circumstances.'" LeSane v. Hall's Sec. Analyst, Inc., 239 F.3d 206, 209 (2d Cir. 2001)(quoting Thielmann v. Rutland Hosp., Inc., 455 F.2d 853, 855 (2d Cir. 1972)(per curiam)). Nonetheless dispositive measures are certainly in the court's arsenal, if needed, to remedy otherwise irremediable prejudice or to address persistent bad-faith pre-trial conduct by a litigant. See, e.g., Friends of Animals v. U.S. Surgical Corp., 131 F.3d 332, 334 (2d Cir. 1997) (per curiam); Valentine v. Museum of Modern Art, 29 F.3d 47, 49-50 (2d Cir. 1994)(quoting Bobal v. Rensselaer Polytechnic Inst., 916 F.2d 759, 764 (2d Cir. 1990)); Rotblut v. Thaler, 1998 WL 846124, *6 (S.D.N.Y Dec. 3, 1998).

The pertinent considerations in selecting a sanction under Rule 37(b)(2) include "(1) the willfulness of the non-compliant party or the reason for the noncompliance; (2) the efficacy of lesser sanctions; (3) the duration of the period of noncompliance, and (4) whether the non-compliant party has been warned of the consequences of his non-compliance." Nieves v. City of New York, 208 F.R.D. 531, 535 (S.D.N.Y. 2002)(citing Bambu Sales, Inc. v. Ozak Trading, Inc., 58 F.3d 849, 852-54 (2d Cir. 1995)). Additionally, and most importantly, we examine the prejudicial impact of the non-compliance. See, e.g., Martinez v. E&C Painting, Inc., 2008 WL 482869, *4 (S.D.N.Y. Feb. 21, 2008); New Pac.

Overseas Group (USA) Inc. v. Excal Int'l Dev. Corp., 2000 WL 97358, *5 (S.D.N.Y. Jan. 27, 2000).

Based on our factual findings, we conclude that defendants and their principal attorney have engaged in a variety of violations of their discovery obligations and of court orders. These include (1) a failure by defendants and their counsel to comply with our July 22, 2010 order that defendants produce for inspection by August 5, 2010 the allegedly infringing reflector umbrellas; (2) a deliberate effort by defendant Langton to conceal the allegedly infringing umbrellas at the August 12, 2010 inspection by substituting other components specifically to deceive plaintiffs; (3) a failure by defendants to search for and produce relevant documents, including design and manufacturing documents, corporate structure records, financial records and electronically stored documents, failings for which their counsel is also responsible in his capacity as defendants' attorney and an officer of the court; (4) seemingly false or misleading testimony by defendant Langton regarding key details of the B2Pro business (including its use of non-Briese components, its provision of assembling services to its clients, its relationship to the entities previously known as BrieseUSA and BrieseNY, and his own role in the company); (5) partially inaccurate deposition testimony by Messrs. Ortiz and Langton about

B2Pro's provision of assembling services to its clients, (6) efforts by defendant Langton to obstruct the taking of the deposition of Mr. Robinson; (7) an attempt by defendants' counsel to obstruct the taking of the deposition of Mr. Smith; (8) improper conduct by defendants' counsel in not only coaching his client Mr. Ortiz at his deposition, but providing him the written testimony that he was to offer in response to questions posed by adversary counsel; (9) an unsuccessful attempt by defendants' counsel to violate the court's scheduling order by pursuing without notice or court approval a second deposition of Mr. Brown long after the defendants' discovery period had expired; and (10) verification of defendants' interrogatory answers without a reasonable effort to ascertain their accuracy.[9]

We further conclude that virtually all of the cited misconduct was willful.[10] Putting to one side the defendants' failure to comply with the August 5 deadline to produce the umbrellas at issue, we note that the misconduct in the manner in which the belated inspection was conducted reflects deliberation and malicious intent by Langton. The defendants' failure to produce various key categories of documents is also obviously deliberate and intended to disadvantage plaintiffs. Indeed, defendants' refusal to comply with basic discovery obligations -- particularly concerning document production -- has been apparent since at least our July 22, 2010 conference, at which we found that they had been in complete default as to the overwhelming bulk of plaintiffs' proper document requests and that their objections to most, if not all, of these requests were so meritless that even their own local counsel was unable to articulate a basis or explanation for them, thus meriting monetary sanctions. From that time and in view of our specific directives requiring them to produce the withheld documents, defendants and their counsel could have been under no illusion as to the requirements that they were to meet or as to the consequences if they failed to do so. That they have still not complied in the cited key areas is ample basis to find willfulness.

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[9] In making these findings, we note that we have not specifically found misconduct by defendants or counsel in connection with the asserted unavailability of Mr. Langton for his originally scheduled deposition because the evidence on that score is too ambiguous. We have also not relied on plaintiffs' complaint about last-minute witness identifications. Finally, as noted above, we do not address Mr. Schewe's representation that Mr. Ortiz does not conduct business in New York. Supra, at 8-9.

[10] We will not analyze in further detail Langton's verification of plaintiffs' interrogatories or the incident involving George Brown; it suffices to say that we view these

As for the questionable deposition testimony of Langton and

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occurrences as part of the clear pattern of defendants' willful disregard for court orders and the discovery process.

Ortiz, some of it appears plainly to constitute deliberate falsehoods since the testimony concerns basic facts about the operation of their own business of which they must be aware. Moreover, as noted above, in a number of instances their assertions were disproven by documents reflecting their own prior contrary representations in other contexts as well as by testimony of disinterested witnesses to the internal workings of the B2Pro business.[11]

The conduct of Langton and defendants' counsel in seeking to prevent or delay the taking of depositions of two witnesses who provided testimony injurious to defendants' position in the case also bespeaks willfulness. It is obvious that both Langton and his attorney were aware that these individuals, Messrs. Robinson and Smith, were likely to contradict Langton's and Ortiz's testimony in key respects. Mr. Langton's efforts, as described under oath by Mr. Robinson, reflect an obvious, if hedged, effort to persuade the witness not to appear for the deposition or to distort his testimony. As for the attorney's intervention to stop the deposition of Mr. Smith, apart from the utterance of what appear to have been outright falsehoods (concerning his supposed representation of Mr. Smith, to whom he had never spoken, and Mr. Smith's supposed unavailability), counsel appears to have been proceeding in a manner designed to run out the discovery clock (which was to expire on October 31) and thus preclude the deposition altogether. In short, this conduct too plainly evinces willfulness.

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[11] Although not crucial to our finding of willfulness by Langton, we note -- as plaintiffs frequently point out - that Langton has been repeatedly sanctioned in other litigations and that in the course of the trademark lawsuit involving his illegal use of the Briese name for his business, he was the subject of an order imposing stiff monetary contempt sanctions that he has concededly not paid (Mullally Supp. Decl. Ex. M, at 82-83), and that, according to his deposition testimony, he will continue to defy unless forced to obey in some unspecified way. (Id., Ex. M, at 84-86).

The balance of the cited misconduct, which involves various aspects of the performance of defendants' attorney, equally reflects a willful disregard for professional obligations of counsel. The cited instances of interference with discovery proceedings plainly does not come from ignorance of the governing rules, but rather from an overeager effort to obtain a litigative advantage, even if by dishonest means.

As for the other pertinent criteria, we note that defendants' misconduct is part of a longstanding pattern in this lawsuit and that it has persisted in one form or another through virtually the entirety of the discovery period. We further note that our warnings to defendants' counsel at the July 22, 2010 hearing were adequate to alert even the most somnolent litigant and counsel to the perils involved in defying the civil discovery rules and court discovery and scheduling orders.

There remain for consideration questions concerning (1) the extent of the prejudice to plaintiffs from the cited failings of defendants and their counsel and (2) the amenability of that prejudice to correction by measures less extreme than entry of a default judgment. In a sense these questions represent two sides of the same coin, and we therefore address them together, although the answers vary in some degree depending on which sanctionable conduct we address. Ultimately we conclude that serious sanctions short of a default should suffice.

The misconduct in connection with the August 12 umbrella inspection has not been shown to have seriously or irremediably prejudiced plaintiffs. As noted, a subsequent inspection occurred on September 23 and plaintiffs have not complained about that proceeding. To the extent that counsel were required to attend a pointless session, that injury can be addressed by awarding plaintiffs the attorney's fees incurred for the time spent on that wasted exercise. In addition, to the extent that defendant Langton engaged in a charade that day, plaintiffs will be free to prove that fact -- both on summary judgment and at any trial -- through the testimony of Mr. Robinson about the availability of the requested reflector umbrellas and Langton's conduct in refusing to take those samples.

As for the efforts of Langton to obstruct the Robinson deposition, plaintiffs were not prejudiced since Robinson disregarded Langton's advice and instead appeared for deposition and testified with apparent candor. Moreover, plaintiffs will be free to use Robinson's testimony about this matter on summary judgment and at trial to impeach Langton's credibility.

We have noted a number of instances in which it appears that Langton and Ortiz have testified falsely. By virtue of the fact that plaintiffs have been able to demonstrate apparent falsity, we conclude that plaintiffs have suffered no irremediable prejudice. Rather, the evidence invoked by plaintiffs offers them ample opportunity to impeach the testimony of those defendants at trial, and the availability of the cited evidence disproving the challenged testimony diminishes whatever prejudice might otherwise ensue from a party's refusal to provide what amount to admissions to the inquiring party. Moreover, we are disinclined, even on the basis of our conclusion that these witnesses may have prevaricated, to impose dispositive sanctions since that would tend to usurp the role of the trier of fact in assessing the credibility of witnesses, including party witnesses. In short, we see no basis for imposition of sanctions on this aspect of defendants' performance.

As for the defendants' failure to produce certain categories of documents, there are several steps short of a default that can remedy the situation. First, defendants will be precluded from utilizing, either on summary judgment or at trial, any documents not produced to plaintiffs during the specified discovery period. Second, certain facts will be taken as established and deemed admissible both on summary judgement and at trial based on defendants' non-production. These include the following:

1. B2Pro is the successor corporation to BrieseUSA and BrieseNY.

2. B2Pro arranged for the design and manufacture of a series of reflector umbrellas after being in possession of the patented Briese reflector umbrellas.

3. B2Pro has deliberately failed to turn over to plaintiffs, as legally required, all documents reflecting defendants' claimed independent research for and design of their allegedly infringing reflector umbrellas and their component parts.

4. B2Pro has deliberately failed to turn over to plaintiffs, as legally required, all documents reflecting

> defendants' marketing and advertising of their allegedly infringing reflector umbrellas and all documents reflecting revenues from the rental of those allegedly infringing umbrellas.
>
> 5. Defendants appropriated without authorization the company name of the plaintiffs in an attempt to misappropriate the good will of that company.

Third, if plaintiffs believe that other facts should be deemed admitted as a consequence of defendants' non-production of documents, they may submit an application to this court within seven days. Defendants may respond within seven days thereafter. Fourth, plaintiffs will be entitled to an instruction at trial that the failure of the defendants to provide required documents may permit an inference that defendants deliberately infringed the plaintiffs' patents in question and that they earned substantial revenues as a consequence. Fifth, defendants will be precluded from offering any evidence, except by cross-examination, in opposition to plaintiffs' proof directed to the amount of any revenues earned by defendants by the use of infringing umbrellas.

Apart from these items, we note that plaintiffs have complained about a variety of alleged misdeeds by defendants' counsel, and that we have found him responsible for a number of derelictions. These violations of professional standards are serious, but we do not believe that they justify dispositive sanctions against defendants in the absence of unavoidable prejudice. Rather, our noting the court's disapproval of such conduct, together with an award of any consequent expenses (which we address below) should serve the necessary deterrent purpose. Cf. On Time Aviation, Inc. v. Bombardier Capital, Inc., 354 F. Appx. 448 (2d Cir. 2009) (describing the purpose of an award under Federal Rule Civil Procedure 11 as "the curbing of abuses" in pre-trial litigation) (quoting Caisse Nationale de Credit Agricole-CNCA v. Valcorp, Inc., 28 F.3d 259, 266 (2d Cir. 1994)); Eastway Const. Corp. v. City of New York, 637 F.Supp. 558, 570 (E.D.N.Y. 1986) (explaining that Rule 11 sanctions may be imposed "as a punishment for dereliction of duty by an officer of the court who should know better").

Finally, we note that one obvious injury to plaintiffs from the misconduct that we have found by defendants and their attorney is the delay and expense imposed on plaintiffs in obtaining the evidence that they need and are entitled to in order to prove their case, including by way of this extended motion. To address that injury, we deem plaintiffs to be entitled to an award of their expenses of this motion, including reasonable attorney's fees, as well as any additional expenses imposed on them as a result of the cited misconduct. Moreover, the award of such expenses is, in this instance, appropriately made jointly and severally against both the defendants and their attorney, who, as we have noted, has plainly cooperated actively with his clients in seeking to thwart the ability of the plaintiffs to obtain the discovery to which they are incontestably entitled.

Plaintiffs are to serve and file their papers in support of such an expense award within ten days. The papers are to include affidavits or declarations as well as contemporaneous time records. Defendants may respond within seven days thereafter. Reply papers will be due within three business days thereafter.

CONCLUSION

For the reasons stated, plaintiffs' motion for sanctions, including a default judgement, is granted to the extent stated.

Dated: New York, New York
January 10, 2011

MICHAEL H. DOLINGER
UNITED STATES MAGISTRATE JUDGE

Copies of the foregoing Memorandum and Order have been mailed today to:

M. Veronica Mullally, Esq.
Hogan Lovells US LLP
875 Third Avenue
New York, New York 10022

Edward P. Kelly, Esq.
Tiajoloff & Kelly LLP
Chrysler Building
405 Lexington Avenue
#37
New York, New York 10174

Edward C. Schewe, Esq.
Schewe & Assocs.
1600 Rosencrans Avenue
4th Floor
Manhattan Beach, California 90266